

Message Text

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ACTION EB-07

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TAGS: EAIR, ETRD, UK, CA

SUBJ: ANTITRUST: JOINT VENTURES FOR MANUFACTURE OF JET AIR-
CRAFT ENGINES BETWEEN ROLLS ROYCE AND UNITED TECHNOLOGIES
CORP.

REF: STATE 295318, 199068; LONDON 19305, 14204

1. JUSTICE DEPARTMENT'S DECISION NOT TO ASSURE UNITED
TECHNOLOGY CORP (UTC) RE POSSIBLE ANTI-TRUST ACTION ON
RB-401 ENGINE WILL SERIOUSLY AND ADVERSELY AFFECT
CANADA, ACCORDING TO ROGER SABRETON, INDUSTRY, TRADE
AND COMMERCE OFFICIAL CONCERNED WITH THE PROJECT.
SABRETON IN DISCUSSION JANUARY 16 WITH TCO ALSO NOTED
THAT THE JANUARY 13 WALL STREET JOURNAL ARTICLE ON THE
JUSTICE DECISION, ONCE ITS IMPLICATIONS FOR CANADA ARE
PERCEIVED, IS LIKELY TO CREATE A MAJOR POLITICAL STORM
IN VIEW OF IMPORTANCE GOC ATTACHES TO AEROSPACE INDUSTRY
GENERALLY AND TO MONTREAL SKILLED EMPLOYMENT IN
PARTICULAR.

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2. ACCORDING TO SABRETON, UTC'S SUBSIDIARY PRATT AND WHITNEY CANADA LTD. (PW) (FORMERLY UNITED AIRCRAFT OF CANADA) IS THE BACKBONE OF THE CANADIAN AIRCRAFT ENGINE INDUSTRY, EMPLOYING 5600 WORKERS IN MONTREAL, AND PROVIDING ABOUT 1400 SUBCONTRACTOR JOBS IN CANADA. GOC HISTORICALLY HAS INVESTED ABOUT \$70 MILLION IN FIRM ON UNDERSTANDING OF CONTINUED OPERATION IN CANADA. RB-401 IS VERY IMPORTANT TO PW'S LONG TERM FUTURE AND COULD WELL BE ITS "LIFE BLOOD" FOR THE 1980'S, WHEN THERE WILL BE NO FURTHER SIGNIFICANT MARKET FOR PRESENT MODELS. IT IS RELATED TO THE JT-25 ENGINE ON WHICH PW HAS BEEN DOING DETAILED DESIGN STUDIES FOR FOUR YEARS WITH SOME INCIDENTAL GOC FINANCIAL SUPPORT. RB-401'S MARKET LIES WITH STRETCH VERSIONS OF PRESENT U.S., BRITISH AND FRENCH EXECUTIVE JET AIRCRAFT AND TO A LESSER EXTENT WITH MILITARY AIRCRAFT. GOC HAS BEEN PLANNING ACTIVE FINANCIAL INVOLVEMENT IN RB-401 DEVELOPMENT AND EXPECTS TO RECEIVE FORMAL PROPOSAL FROM PW IN MID-1976. IN LIGHT OF JUSTICE DEPARTMENT NEGATIVE ACTION THE GOC WILL BE UNABLE TO MAKE A COMMITMENT TO PW UNTIL THIS ISSUE IS RESOLVED. AS A RESULT A NEW ERA OF UNCERTAINTY WILL ENVEIL THE MONTREAL OPERATION AND THE ISSUE WILL SURELY BECOME ONE OF CONSIDERABLE POLITICAL IMPORTANCE.

3. COMMENT: UPON RECEIPT OF REFTELS EMBASSY ADVISED GOC'S DEPARTMENT OF CONSUMER AND CORPORATE AFFAIRS (CCA) (NORMAL CHANNEL IN ANTI-TRUST MATTERS) IN WRITING. RESPONSES INDICATED NO PARTICULAR INTEREST IN QUESTION. AN OFFICIAL OF THAT DEPARTMENT INFORMALLY TOLD LABATT ON DECEMBER 16 THAT ISSUE RAISED NO PROBLEMS UNDER CANADIAN LEGISLATION AND THAT THERE WAS NO PROSPECTIVE MARKET FOR THESE ENGINES IN CANADA. ON THE ASSUMPTION THAT CCA RESPONSES MIGHT NOT FULLY REFLECT GOC VIEWS, WE BROUGHT QUESTION TO ATTENTION OF MARTIN BRENNAN (SENIOR DIRECTOR GENERAL, TRANSPORTATION EQUIPMENT INDUSTRIES DIVISION, ITC) WHO PERCEIVED ITS POTENTIAL IMPORTANCE IMMEDIATELY AND ARRANGED FOR ITS DISCUSSION WITH SABRETON.

4. EMBASSY WILL REPORT FURTHER ON REACTIONS IN CANADA AS LIMITED OFFICIAL USE

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THEY OCCUR AND IN MEANTIME WOULD APPRECIATE DEPARTMENT KEEPING US CURRENTLY INFORMED ANY FURTHER WASHINGTON DEVELOPMENTS. NEW YORK TIMES ARTICLE OF JANUARY 14 HAS BEEN NOTED AND CALLED TO SABRETON'S ATTENTION. WE ARE FORWARDING COPIES OF CORRESPONDENCE WITH CCA TO EUR/CAN FOR DISTRIBUTION TO OTHER WASHINGTON OFFICES AS APPROPRIATE. JOHNSON

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